



## **H & M HENNES & MAURITZ AB**

### **FULL YEAR RESULTS**

1 December 2004 to 30 November 2005

- **Group turnover excluding VAT for the financial year amounted to SEK 61,262 M (53,695), an increase of 14 per cent compared to last year. With comparable exchange rates, the increase was 13 per cent.**
  - **Profit after financial items was SEK 13,553 M (11,005). Group profit after tax amounted to SEK 9,247 M (7,275) corresponding to SEK 11.17 (8.79) per share, an increase of 27 per cent.**
  - **Turnover excluding VAT for the fourth quarter increased by 13 per cent (with comparable exchange rates 9 per cent) and amounted to SEK 18,009 M (15,874).**
  - **Profit after financial items for the fourth quarter amounted to SEK 4,297 M (4,056), an increase of 6 per cent.**
  - **For the financial year 2005/2006 a net contribution of 150 new stores is planned.**
  - **H&M starts franchising operations in the Middle East.**
  - **The Group is preparing a large scale expansion within online and catalogue sales. The Netherlands will be the first country for the expansion, autumn 2006.**
  - **The Board of Directors proposes a dividend of SEK 9.50 (8.00) per share.**
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- **Sales in December increased by 14 per cent. The sales increase in comparable stores was four per cent.**

## Turnover

Turnover excluding VAT for the H&M Group increased during the past financial year by 14 per cent (with comparable exchange rates 13 per cent) compared with last year and amounted to SEK 61,262.2 M (53,695.0). Turnover including VAT was SEK 71,885.8 M (62,985.9).

Turnover excluding VAT in the fourth quarter was SEK 18,009.4 M (15,874.4), an increase of 13 per cent (with comparable exchange rates 9 per cent). In the fourth quarter sales including VAT were SEK 21,101.2 M (18,619.4).

145 stores were opened during the year; 23 in Germany, 16 in the USA, twelve each in the United Kingdom and Poland, ten in Spain, eight each in Norway and the Netherlands, seven each in France and Italy, five each in Sweden, Denmark, Switzerland, Belgium, the Czech Republic and Canada, four in Ireland, three in Finland, two each in Austria and Portugal and finally one in Hungary. 20 stores were closed. Of the net increase of 125 stores, 69 opened and ten closed during the fourth quarter. The total number of H&M stores thereby amounted to 1,193 (1,068) as of 30 November 2005.

## Profits for the full year

Gross profit for the financial year amounted to SEK 36,181.5 M (30,718.0), which corresponds to 59.1 per cent (57.2) of sales.

After deduction of selling and administrative expenses, the operating profit was SEK 13,172.9 M (10,667.3). This corresponds to an operating margin of 21.5 per cent (19.9).

Operating profit has been charged with depreciation of SEK 1,451.6 M (1,232.2).

Group financial net interest income amounted to SEK 379.9 M (338.0).

Profit after financial items was SEK 13,552.8 M (11,005.3), an increase of 23 per cent.

After deduction of taxes of SEK 4,306.3 M (3,730.5), profit for the year amounted to SEK 9,246.5 M (7,274.8). The result achieved corresponds to earnings per share of SEK 11.17 (8.79), an increase of 27 per cent.

The profit of the year gives a return on shareholders' equity of 38.4 per cent (34.4) and a return on capital employed of 56.3 per cent (51.9).

The results for the financial year have been positively affected by currency translation effects of SEK 168 M compared to the same period last year. Translation effects arise when the results of the foreign subsidiaries are translated into SEK in order to be consolidated into the H&M Group accounts.

## Results for the fourth quarter

Gross profit for the fourth quarter amounted to SEK 10,802.9 M (9,508.9) corresponding to a gross margin of 60.0 per cent (59.9).

In the fourth quarter the operating profit was SEK 4,205.4 M (3,965.9), corresponding to an operating margin of 23.4 per cent (25.0).

Profit after financial items for the fourth quarter amounted to SEK 4,297.1 M (4,056.3), an increase of 6 per cent.

## **Comments on the full year results**

The Group improved the operating profit in all markets compared to last year. The gross margin amounted to 59.1 per cent (57.2) and the operating margin to 21.5 per cent (19.9).

During the year, H&M opened stores in two new markets; Ireland and Hungary. At the end of the year, there were four stores in Ireland and one store in Hungary. The operations in both countries have developed very well.

In November H&M opened its first two stores in San Francisco on the West Coast of the USA. Sales in the two stores have widely surpassed expectations.

The lower tax rate 31.8 per cent compared to 33.9 per cent last year is above all due to lowered tax rates in Austria, the Netherlands, Denmark and Finland. An increased proportion of the Group's results also consist of profits from several new markets with tax rates considerably lower than the Group average.

## **Comments on the fourth quarter**

The somewhat weaker sales development during the beginning of the quarter led to increase of resources allocated to marketing. This in conjunction with among other things increased depreciation contributed to an operating expense increase of 1.7 percentage units as part of turnover.

The gross margin of 60.0 per cent (59.9) is considered as very satisfactory. As previously notified, reintroduced export regulations have increased the costs of goods sold in comparison to the previous quarters of the year. The price reduction level during the quarter was at the same level as the same period last year.

## **Financial position**

The Group balance sheet increased by 18 per cent and was on 30 November 2005 SEK 33,183.2 M (28,127.3).

During the financial year, the H&M Group generated a positive cash flow from running operations of SEK 10,135.0 M (8,568.3). SEK 2,453.0 M (1,588.5) was invested through net acquisitions of fixed assets.

Cash flow for the year amounted to SEK -2,031.1 M (-1,262.2). Cash flow has been affected by dividends of SEK 6,620.3 M (4,965.2) and by financial investments of 3,100.0 (3,250.0), i.e. bank deposits with original durations between three and seven months.

The financial assets amounted to SEK 16,845.9 M (15,051.3).

Stock-in-trade increased by 33 per cent and amounted to SEK 6,840.7 M (5,141.6). The increase is due to currency translation effects, stock for new stores and increased stock-in-trade in comparable stores. The higher stock level is estimated to not affect the reduction level negatively in the coming quarter. Stock-in-trade equals 11.2 per cent (9.6) of turnover and 20.6 per cent (18.3) of total assets.

The Group's debt ratio was 78.1 per cent (79.0). The share of risk-bearing capital was 80.2 per cent (82.5).

The Group's equity was on 30 November 2005 SEK 25,923.8 M (22,209.0), which apportioned on the 827,536,000 outstanding shares equals to SEK 31.33 (SEK 26.84) per share.

## **Expansion**

H&M's goal is to increase the number of new stores by 10-15 per cent every year and at the same time increase sales in existing stores.

During the financial year of 2005/2006, the Group plans a net increase of around 150 new stores. The main part of the expansion is planned to take place in the USA, Spain, Germany, the United Kingdom, France, and Canada.

H&M has signed an agreement with M.H. Alshaya Co. as franchise holder in the Middle East. This company will be given the right to establish H&M stores in several markets. The first stores will be opened in Kuwait and Dubai during the autumn of 2006. H&M intends to expand this co-operation to other countries in the Middle East.

H&M has signed a rental agreement for the first store in Bratislava, Slovakia. The store is planned to open in spring 2007.

The H&M Group is preparing a large scale expansion within online and catalogue sales. The aim is, as a complement to the stores, to offer online and catalogue sales in our current markets. The Netherlands will be the first country outside the Nordic region, which will start with online sales in the autumn of 2006.

## **Employees**

The average number of employees in the Group was 34,614 (31,701), of which 3,872 (3,731) in Sweden.

## **Adjustment to IFRS**

During the year, the Group continued its work on bringing its accounts in line with the new IFRS rules (International Financial Reporting Standards), which in H&M's case will be applied for the first time in the 2005/06 financial year. For further information see pages 14 to 15 in this report.

## **The Parent Company**

The parent company's profit after financial items amounted to SEK 8,733.5 M (8,692.8). Adjusted for dividend revenue from subsidiaries, the result was SEK 1,698.9 (1,287.0). This year's profit after dispositions and tax amounted to SEK 9,034.7 M (8,119.9).

## **December 2005**

The H&M Group turnover (with comparable exchange rates) increased in December 2005 by 14 per cent compared to the corresponding period last year. The sales increase in comparable stores amounted to four per cent.

## **Dividend proposal**

H&M's goals in financial terms is to continue to enjoy healthy growth as well as to be ready to exploit future business opportunities. It is essential that expansion, as in the past, continues with the same high degree of financial strength and continued freedom to act.

Dividends should equal around half of the profit after taxes. In addition, the Board of Directors may propose that the calculated surplus liquidity also can be distributed.

For this reason, the Board of Directors will propose to the Annual General Meeting a dividend of SEK 9:50 per share (previous year dividend of SEK 8.00 per share).

## **Annual General Meeting**

The shareholders' meeting will be held on Wednesday 3 May 2006, at 3 pm at Stockholmsmässan in Stockholm (Victoriahallen).

## **Annual Report for 2005**

In the Annual Report for 2005, the Corporate Governance Report and the Report on Internal Control regarding the financial reporting will be included. The Annual Report is estimated to be published and distributed to shareholders during week 12, 2006. The annual report will be possible to download and order at [www.hm.com](http://www.hm.com).

## **Reports**

The H&M Group plans to publish the following financial reports during 2006:

Three Months results, 1 December 2005 - 28 February 2006	29 March
Half Year results, 1 December 2005 - 31 May 2006	21 June
Nine Months results, 1 December 2005 - 31 August 2006	27 September

Monthly sales figures will as previously be published on the 15<sup>th</sup> the following month. When the 15<sup>th</sup> occurs on a weekend, the sales figures will then be published on the following weekday.

Stockholm, 26 January 2006

The Board of Directors

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For background information about H&M and press pictures please see [www.hm.com](http://www.hm.com).

**GROUP INCOME STATEMENT**  
(SEK M)

	1 December 2004- 30 November 2005	1 December 2003- 30 November 2004	1 September 2005- 30 November 2005	1 September 2004- 30 November 2004
Turnover, including VAT	71,885.8	62,985.9	21,101.2	18,619.4
Turnover, excluding VAT	61,262.2	53,695.0	18,009.4	15,874.4
Costs of goods sold	-25,080.7	-22,977.0	-7,206.5	-6,365.5
<b>GROSS PROFIT</b>	<b>36,181.5</b>	<b>30,718.0</b>	<b>10,802.9</b>	<b>9,508.9</b>
Selling expenses	-21,800.6	-18,927.7	-6,273.0	-5,238.4
Administrative expenses	-1,208.0	-1,123.0	-324.5	-304.6
<b>OPERATING PROFIT</b>	<b>13,172.9</b>	<b>10,667.3</b>	<b>4,205.4</b>	<b>3,965.9</b>
Result from financial investments				
Interest income	384.2	341.2	93.4	91.6
Interest expense	-4.3	-3.2	-1.7	-1.2
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>13,552.8</b>	<b>11,005.3</b>	<b>4,297.1</b>	<b>4,056.3</b>
Taxes	-4,306.3	-3,730.5	-1,066.8	-1,298.3
<b>PROFIT FOR THE YEAR</b>	<b>9,246.5</b>	<b>7,274.8</b>	<b>3,230.3</b>	<b>2,758.0</b>
Profit per share, SEK	11.17	8.79	3.90	3.33
Number of shares: 827,536,000				
Depreciation, total	1,451.6	1,232.2	393.1	284.9
of which cost of goods sold	155.0	134.3	42.2	30.1
of which selling expenses	1,226.5	1,038.2	331.7	240.9
of which administration expenses	70.1	59.7	19.2	13.9

**GROUP BALANCE SHEET SUMMARY**  
**(SEK M)**

	30 November 2005	30 November 2004
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	250.1	101.4
Tangible assets	7,618.9	6,429.2
Financial assets	208.5	181.0
Total fixed assets	8,077.5	6,711.6
<b>Current assets</b>		
Stock-in-trade	6,840.7	5,141.6
Current receivables	1,419.1	1,222.8
Liquid funds	16,845.9	15,051.3
Total current assets	25,105.7	21,415.7
<b>TOTAL ASSETS</b>	<b>33,183.2</b>	<b>28,127.3</b>

# GROUP BALANCE SHEET SUMMARY

(SEK M)

	30 November 2005	30 November 2004
<b>EQUITY AND LIABILITIES</b>		
Equity	25,923.8	22,209.0
Provisions	774.8	1,033.2
Short-term liabilities	6,484.6	4,885.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,183.2</b>	<b>28,127.3</b>
<b>CHANGE IN EQUITY</b>		
Equity, beginning of period	22,209.0	20,096.7
Effect of change in accounting principle*	-15.6	
Opening balance of shareholders' equity adjusted in accordance with new principle	22,193.4	20,096.7
Profit for the period	9,246.5	7,274.8
Dividend	-6,620.3	-4,965.2
Return of dividend	0.9	0.7
Currency translation effects, etc	1,103.3	-198.0
Equity, end of period	25,923.8	22,209.0

\* Non recurring effect on introduction of the new accounting recommendation RR 29, Employee benefits. This has resulted in a non-recurring cost of SEK 15.6 M after tax that has been reported as an adjustment to the opening balance of shareholders' equity for 2004/05 (but has had no effect on earnings and cash flow)



## GROUP CASH FLOW ANALYSES

(SEK M)

	1 December 2004- 30 November 2005	1 December 2003- 30 November 2004
<b>Current operations</b>		
Profit after financial items *	13,552.8	11,005.3
Provisions for pensions	18.4	5.6
Depreciation	1,451.6	1,232.2
Tax paid	-3,796.3	-3,899.6
<b>Cash flow generated by current operations before changes in working capital</b>	<b>11,226.5</b>	<b>8,343.5</b>
<b>Cash flow generated by changes in working capital</b>		
Current receivables	-116.9	-157.0
Stock-in-trade	-1,364.9	-141.2
Current liabilities	390.3	523.0
<b>CASH FLOW GENERATED BY CURRENT OPERATIONS</b>	<b>10,135.0</b>	<b>8,568.3</b>
<b>Investment activities</b>		
Investments in intangible assets	-177.5	-14.1
Investments in tangible assets	-2,275.5	-1,574.4
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-2,453.0</b>	<b>-1,588.5</b>
<b>Financial activities</b>		
Financial investments, 3-12 months	-3,100.0	-3,250.0
Long-term receivables	6.3	-27.5
Dividend	-6,620.3	-4,965.2
Return on dividend	0.9	0.7
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-9,713.1</b>	<b>-8,242.0</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>-2,031.1</b>	<b>-1,262.2</b>
<b>Liquid funds, beginning of the period (including short-term investments, 0-3 months)</b>		
	<b>11,801.3</b>	<b>13,193.5</b>
Cash flow for the year	-2,031.1	-1,262.2
Changes in currency rates	725.7	-130.0
<b>Liquid funds, by the end of the year (including short-term investments, 0-3 months)</b>	<b>10,495.9</b>	<b>11,801.3</b>

\* Paid interest amounts to SEK 5.0 M (3.7)

**FIVE YEAR SUMMARY**  
(SEK M)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Turnover including VAT	46,528.2	53,331.7	56,550.0	62,985.9	71,885.8
Turnover excluding VAT	39,698.8	45,522.3	48,237.7	53,695.0	61,262.2
Change from previous year, %	30	15	6	11	14
Operating profit	5,477.8	8,259.1	9,223.0	10,667.3	13,172.9
Operating margin, %	13.8	18.1	19.1	19.9	21.5
Depreciation for the year	900.1	1,050.6	1,125.6	1,232.2	1,451.6
Profit after financial items	5,734.0	8,628.9	9,608.7	11,005.3	13,552.8
Profit for the year	3,816.4	5,686.8	6,385.9	7,274.8	9,246.5
Number of shares	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	4.61	6.87	7.72	8.79	11.17
Liquid funds (including short-term investments)	8,530.9	13,479.6	13,193.5	15,051.3	16,845.9
Stock-in-trade	4,332.4	4,192.5	5,050.1	5,141.6	6,840.7
Restricted equity, SEK M	2,475.4	2,463.3	2,618.2	2,745.4	2,091.6
Non-restricted equity, SEK M	12,956.2	16,624.4	17,478.5	19,463.6	23,832.2
Net worth per share, SEK	18.65	23.07	24.28	26.84	31.33
Return on shareholders' equity, %	27.9	32.9	32.6	34.4	38.4
Return on capital employed, %	41.6	49.7	48.9	51.9	56.3
Debt/equity ratio, %	1.2	0.4	0.2	0.2	0.0
Share of risk-bearing capital, %	77.8	79.0	81.6	82.5	80.2
Solidity, %	75.6	75.7	78.0	79.0	78.1
Interest cover, %	304.4	654.7	3,432.7	3,440.2	3,152.8
Number of stores	771	844	945	1,068	1,193
Average number of employees	22,944	25,674	28,409	31,701	34,614

Definition on key figures see Annual Report

## TURNOVER PER COUNTRY AND NUMBER OF STORES

1 December 2004 - 30 November 2005

SEK M	Turnover 2005 Incl. VAT	Turnover 2004 Incl. VAT	Change SEK %	Change local currency %	No. of stores 30 November 2005	Change since 1 December 2004
Sweden	6,190	5,883	5	5	124	0
Norway	4,641	4,124	13	7	78	3
Denmark	3,000	2,726	10	9	56	3
United Kingdom	6,139	5,602	10	9	102	11
Switzerland	3,872	3,644	6	5	52	5
Germany	19,574	17,693	11	9	288	19
Netherlands	4,346	3,939	10	9	73	7
Belgium	2,521	2,201	15	13	48	4
Austria	4,279	4,159	3	2	52	1
Luxembourg	300	282	6	5	7	0
Finland	1,792	1,548	16	14	27	3
France	5,228	4,436	18	16	71	7
USA	4,033	3,423	18	19	91	16
Spain	2,894	1,954	48	46	50	10
Poland	787	462	70	49	27	12
Czech Republic	362	196	85	71	12	5
Portugal	307	225	36	34	7	2
Italy	598	237	152	149	10	7
Canada	619	192	222	201	11	5
Slovenia	259	60	332	329	2	0
Ireland	134				4	4
Hungary	11				1	1
<b>Total</b>	<b>71,886</b>	<b>62,986</b>	<b>14</b>	<b>13</b>	<b>1,193</b>	<b>125</b>

## TURNOVER PER COUNTRY AND NUMBER OF STORES

1 September 2005 - 30 November 2005

SEK M	Turnover 2005 Incl. VAT	Turnover 2004 Incl. VAT	Change SEK %	Change local currency %	No. of stores 30 November 2005	Change since 1 September 2005
Sweden	1,740	1,705	2	2	124	1
Norway	1,320	1,197	10	1	78	2
Denmark	878	792	11	7	56	1
United Kingdom	1,914	1,606	19	14	102	6
Switzerland	1,107	1,044	6	3	52	3
Germany	5,491	5,204	6	1	288	6
Netherlands	1,324	1,191	11	7	73	3
Belgium	721	611	18	13	48	2
Austria	1,230	1,232	0	-4	52	1
Luxembourg	86	78	10	6	7	0
Finland	495	462	7	3	27	3
France	1,585	1,335	19	14	71	2
USA	1,259	991	27	17	91	11
Spain	891	594	50	44	50	3
Poland	261	164	59	39	27	5
Czech Republic	115	73	58	42	12	1
Portugal	96	64	50	43	7	1
Italy	227	93	144	138	10	1
Canada	204	127	61	40	11	3
Slovenia	83	56	48	46	2	0
Ireland	63				4	3
Hungary	11				1	1
Total	21,101	18,619	13	9	1,193	59

## REPORTING PER REGION (SEK M)

	1/12 2004- 30/11 2005	1/12 2003- 30/11 2004	1/9 2005- 30/11 2005	1/9 2004- 30/11 2004
<b>Nordic countries</b>				
Net turnover	12,556	11,495	3,568	3,352
Operating profit	3,020	2,202	826	718
Operating margin, %	24.1	19.2	23.2	21.4
Assets	13,482	10,382		
Liabilities	1,744	1,384		
Investments	229	225		
Depreciation	204	187		
<b>Euro zone countries excl. Finland</b>				
Net turnover	34,197	29,907	9,965	8,856
Operating profit	7,854	6,625	2,417	2,425
Operating margin, %	23.0	22.2	24.3	27.4
Assets	12,645	11,450		
Liabilities	1,918	1,831		
Investments	1,282	857		
Depreciation	728	608		
<b>Rest of the world</b>				
Net turnover	14,509	12,293	4,476	3,666
Operating profit	2,299	1,840	962	823
Operating margin, %	15.8	15.0	21.5	22.4
Assets	6,997	6,260		
Liabilities	1,181	933		
Investments	942	507		
Depreciation	520	437		
<b>Total</b>				
Net turnover	61,262	53,695	18,009	15,874
Operating profit	13,173	10,667	4,205	3,966
Operating margin, %	21.5	19.9	23.3	25.0
Assets, excl. outstanding tax	33,124	28,092		
Liabilities, excl. tax liabilities and equity	4,843	4,148		
Investments	2,453	1,589		
Depreciation	1,452	1,232		

## REPORTING PER SEGMENT

The internal follow-up is carried out by country. To present the information in a comprehensive way by segments, these will be divided into three regions: the Nordic region, the Euro zone countries excluding Finland and the Rest of the world. There is no internal dividing into different lines of business and hence reporting in secondary segments is not relevant.

## Effects of the transition to IFRS

The Group's financial reporting for 2005/06 will be done in accordance with IFRS and the figures for the comparative year, 2004/05, will be restated. The rules concerning introduction and restatement are outlined in IFRS 1, First-time Adoption of International Financial Reporting Standards.

According to IFRS 1, the financial reports shall be prepared according to the IFRS standards that are in effect on 30 November 2006. Additionally, these standards must have been approved by the EU. The effects of the transition to IFRS as explained below are therefore preliminary and based on the IFRS standards in force at this time and interpretations thereof. These may be adjusted in the period up to 30 November 2006 and this will have an impact on the reported amounts. IFRS 1 is based on the principle that all standards will be applied retroactively, but contains a number of exceptions to this rule. In line with IFRS 1, H&M has decided against restating the acquisition of subsidiaries that took place before 1 December 2004 according to IFRS 3 and to state the accumulated exchange differences as 0 as of 1 December 2004 (see below).

### Financial instruments and hedge accounting

The effect on H&M's financial reporting of the transition to IFRS is limited to IAS 32 Financial Instruments: Disclosure and Presentation, and IAS 39 Financial Instruments: Recognition and Measurement. H&M has decided to apply IAS 32 and IAS 39 from the 2004/05 financial year and the comparative figures for 2004/05 have been restated. The difference between the recorded values according to IAS 39 and according to the principles previously applied will be recognised directly in equity in the balance sheet as of 1 December 2004.

IAS 39 requires that financial assets and financial liabilities be classified in different categories and then be recognised and valued according to the principles that apply for the respective category.

Liquid assets and short-term investments have been classified as assets where they have been recognised at fair value and where the change in value is recognised in the income statement.

The Group's policy is to hold derivatives for hedging purposes only. Derivatives held for this purpose are forward exchange contracts used in cash-flow hedging. Previously such derivatives were reported off the balance sheet, applying deferred hedge accounting. Derivative gains and losses have been reported at the time that the hedged transaction occurred. According to IAS 39, all derivatives are to be recognized at fair value. Since the Group does not meet the criteria for hedge accounting according to IAS, in the future the change in value will be recorded in the income statement on an ongoing basis. Accordingly, H&M's reported profit will exhibit greater volatility.

### Summary of the effects of the transition to IFRS

	<b>04/05</b>
Profit according to the accounting principles applied	9,246
Effect of transition to IFRS:	
Financial instruments, IAS 39 (derivatives at fair value)	313
Deferred tax	-88
Profit according to IFRS, preliminary calculation	9,471

	<b>2005</b>	<b>2004</b>
<b>Equity according to accounting principles applied, 30 November</b>	25,924	22,209
Effect of change in accounting principle RR 29	-	-16
<b>Equity according to accounting principles applied, 1 December</b>	-	22,193
Effect of transition to IFRS:		
Financial instruments, IAS 39 (derivatives at fair value)	120	-193
Deferred tax	<u>-34</u>	<u>54</u>
Equity on 30 November according to IFRS, preliminary calculation	26,010	22,054

### **Effect on profit before tax, assets, liabilities**

The Group's 2004/05 profit before tax is SEK 313 M higher according to IFRS than with the accounting principles applied due to the fact that derivatives are recognised at fair value.

The Group's assets and liabilities as of 30 November 2005 are only marginally affected by the introduction of IFRS.

### **Accumulated exchange differences**

Exchange differences relating to investments in foreign operations shall, according to IAS 21 The Effects of Changes in Foreign Exchange Rates, be recognised as a separate component of equity. When foreign operations are disposed of, the accumulated exchange differences are to be recognised as part of the profit from the disposals. H&M has decided to state the accumulated exchange differences at zero as of 1 December 2004 according to the transition provisions in IFRS 1. Previously reported exchange differences are assigned to other equity in the opening balance sheet as of 1 December 2004.

### **Other IFRS standards**

Following a review of all of the accounting principles, it has been determined that the effects of the other standards on the Group's assets and profit are not of any material significance.